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FISCAL IMPACT STATEMENT

LS 7031

BILL NUMBER: HB 1257

NOTE PREPARED: Jan 8, 2006

BILL AMENDED:

SUBJECT: Postsecondary Proprietary Education.

FIRST AUTHOR: Rep. Bell

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill raises the amounts of surety bonds required from postsecondary proprietary educational institutions, and increases the mature balance in the Career College Student Assurance Fund.

The bill also establishes minimum standards for the owners and chief administrators of postsecondary proprietary educational institutions.

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues: The bill increases the surety bonds required from postsecondary proprietary educational institutions from:

1. \$5,000 to \$25,000 for an institution without any annual gross tuition charges assessed for the previous year.
2. \$5,000 to \$25,000 as the threshold where the surety bond is 100% of the institution's previous year's annual gross tuition.
3. \$5,000 to \$25,000 if the institution's previous year's annual gross tuition was less than \$250,000. The previous limit was \$50,000.
4. \$50,000 to \$250,000 if the institution's previous year's annual gross tuition was less than \$500,000.

Currently, if the fund balance in the Career College Student Assurance Fund is greater than \$100,000, then the surety bond required of the institution is reduced. The reduction is 20% if the balance is greater than

\$100,000, and the reduction increases by 20% for every \$100,000 that the fund balance is over \$100,000 up to a maximum of 100% reduction once the fund reaches \$500,000. The bill increases the starting point of the bond reductions from \$100,000 to \$600,000 and increases the maximum fund balance to \$1 M for a 100% reduction in the surety bond requirement.

The increase would help insure that if a postsecondary proprietary educational institution closed, students would be able to recover tuition they may have paid. The bill would have little impact on the state.

The bill also increases the mature balance in the Career College Student Assurance Fund from \$25,000 to \$500,000. The fund had revenue of \$164,250, expenditures of \$28,667, and an ending balance of \$135,583 for FY 2005. Annual contributions are expected to be about \$165,000 annually. Postsecondary proprietary educational institutions pay 0.1% of their total tuition and fees plus \$60 quarterly into the fund. The \$60 is the administrative fee for the Indiana Commission on Proprietary Education.

The establishing of minimum standards for the owners and chief administrators of postsecondary proprietary educational institutions should have no fiscal impact.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Commission on Proprietary Education.

Local Agencies Affected:

Information Sources: Jeff Weber, Commissioner Indiana Commission on Proprietary Education, 317-232-1329.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.